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Development fees may pay for roads

But city ordinance comes with caveats that could make it moot

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After years of talk, Spokane leaders have created taxes on new development in hopes of solving a growing shortfall in street funding.

But because of restrictions in the "impact fee" ordinance, which was approved by City Council early Tuesday, it's unclear when the city will start collecting the money.

The earliest the fees could be charged is October, a delay designed in part to allow the economy to improve. But an amendment approved by the council also prevents the fees from being collected until the city finds a second new source of street funding, perhaps through another new tax.

Councilman Richard Rush said he fears the change could make the new law meaningless.

"It was just a mechanism to put it on infinite hold," said Rush, who voted against the amendment. "We generally make incremental progress. We don't solve all problems at one time."

But Councilman Steve Corker said it makes sense to find a complete solution to Spokane's street funding shortfalls before charging impact fees.

"The fact that building has basically come to a grinding halt has basically given us more time to deal with the issue," he said.

Corker said he believes it's likely that a second street funding source will be in place by October because of pressure from local, state and federal leaders to deal with mounting delayed street maintenance.

Options for a second new source include the creation of a tax on vehicle tabs or new funding from the federal government, Corker said.

Spokane officials spent two years crafting the impact fee proposal. Money generated over the first six years of the program would pay $17 million of the $47 million needed to improve streets overburdened by traffic generated by new construction.

The fees vary considerably depending on the part of town and how many trips a new building would generate. A developer of a home downtown would pay about $700. The fee for a grocery store in south or northwest Spokane would be closer to $500,000.

The plan was opposed by many in the development community who argued that businesses would be driven to communities that don't have impact fees, such as unincorporated areas and Spokane Valley. They also said it places an unfair burden on business.

Jeff Severs, chief operating officer of Greater Spokane Inc., said his group, which acts as the region's chamber of commerce, could support impact fees, but not when the economy is struggling and not unless funding included sources other than development taxes.

"It's just not prudent to do at this time," Severs said. "It's a piecemeal approach."

Rush said there's just as much danger that businesses will move because Spokane doesn't have the money to fix streets. He pointed to state law, which requires governments to provide adequate infrastructure along with new growth.

"Perhaps they don't come and don't develop here because our infrastructure is inadequate," he said.

At this week's hearing on the matter, council President Joe Shogan argued that development might just as easily be driven into the city because Spokane County and Spokane Valley leaders could face a building moratorium created by possible delays in opening a new sewage plant.

The City Council approved the impact fee ordinance at the end of a six-hour meeting Monday that lasted until just after midnight. Council members Bob Apple and Nancy McLaughlin voted against the measure.